



Australian Government
Anti-Dumping Commission

CUSTOMS ACT 1901 - PART XVB

CONSIDERATION REPORT NO. 264

APPLICATION FOR A DUMPING DUTY NOTICE

STEEL REINFORCING BAR

EXPORTED FROM

**THE REPUBLIC OF KOREA, MALAYSIA, SINGAPORE,
SPAIN, TAIWAN, THE KINGDOM OF THAILAND AND THE
REPUBLIC OF TURKEY**

7 October 2014

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ABBREVIATIONS & SHORTENED FORMS

ABS	Australian Bureau of Statistics
ACBPS	Australian Customs and Border Protection Service
ACRS	Australasian Certification Authority for Reinforcing and Structural Steel
Act	<i>Customs Act 1901</i>
AUD	Australian Dollar
Commission	Anti-Dumping Commission
Commissioner	Commissioner of the Anti-Dumping Commission
CTMS	Cost to make and sell
DCS	Developing countries subject
FOB	Free on board
GAAP	Generally accepted accounting practice
GUC	Goods under consideration
Korea	Republic of Korea
MPa	Megapascals
NIP	Non-injurious price
Nominated Countries	Collectively referring to Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey
OneSteel	OneSteel Manufacturing Pty Ltd
Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
Rebar	Steel reinforcing bar
SG&A	Selling, general and administrative costs
Thailand	The Kingdom of Thailand
Turkey	The Republic of Turkey
USA	United States of America
USD	United States dollars
USDOC	United States Department of Commerce
USP	Unsuppressed selling price

1 SUMMARY AND RECOMMENDATION

1.1 Background

This report provides the results of the Anti-Dumping Commission's (Commission's) consideration of an application for the publication of a dumping duty notice in respect of steel reinforcing bar (rebar) exported to Australia from the Republic of Korea (Korea), Malaysia, Singapore, Spain, Taiwan, the Kingdom of Thailand (Thailand) and the Republic of Turkey (Turkey) (collectively referred to as the nominated countries).

1.2 Application of law to facts

Division 2 of Part XVB of the *Customs Act 1901 (the Act)*¹ sets out procedures for considering an application for a dumping duty notice.

1.2.1 The role of the Commission

The Commission is responsible for preparing a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) after examining the application for the publication of a dumping duty notice.

In this report, the following matters are considered in relation to the application:

- whether the application complies with section 269TB(4);
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

1.2.2 The role of the Commissioner

The Act empowers the Commissioner, after having regard to the Commission's report and to any other information that the Commissioner considers relevant, to reject or not reject the application for the publication of a dumping duty notice.

If the Commissioner decides not to reject the application, the Commissioner must give public notice of the decision providing details of the investigation.

1.3 Findings and conclusions

The Commission has examined the application for the publication of a dumping duty notice in relation to rebar exported to Australia from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey.

¹ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

The Commission is satisfied that:

- the application complies with the requirements of section 269TB(4) (as set out in Chapter 3 of this report);
- there is an Australian industry in respect of like goods (as set out in Chapter 4 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of rebar exported to Australia from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey (as set out in Chapters 5, 6 and 7 of this report).

1.4 Recommendation

The Commission recommends that the Commissioner decide not to reject the application.

If the Commissioner accepts this recommendation, to give effect to that decision, the Commissioner must sign the instrument at **Appendix 1** indicating that the Commission will conduct an investigation into whether grounds exist to publish a dumping duty notice as sought in the application.

2 BACKGROUND

2.1 Application

On 8 August 2014, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application requesting that the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) publish a dumping duty notice in respect of rebar exported to Australia from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey.

OneSteel provided further information and data in support of its application on two occasions, the last of which was received on 17 September 2014. As a result, the Commission has on two occasions restarted the 20 day period for considering the application in accordance with section 269TC(2A) of the Act.

OneSteel alleges that the Australian industry has suffered material injury caused by rebar exported to Australia from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey at dumped prices. The applicant alleges that the industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price suppression; and
- reduced profits and profitability.

2.2 The goods the subject of the application

2.2.1 Description

OneSteel described the goods subject of the application (the goods) as being:

“Hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly identified as rebar or debar, in various diameters up to and including 50 millimetres, containing indentations, ribs, grooves or other deformations produced during the rolling process.

The goods covered by this application include all steel reinforcing bar meeting the above description of the goods regardless of the particular grade or alloy content or coating.

Goods excluded from this application are plain round bar, stainless steel and reinforcing mesh.”

The goods are referred to as rebar in this report.

2.2.2 Tariff classifications

The application states that the goods are typically classified to the following Subheadings in Schedule 3 of the *Customs Tariff Act 1995*.

- 7214.20.00 (statistical code 47);
- 7228.30.90 (statistical code 49);
- 7213.10.00 (statistical code 42); and

- 7227.90.90 (statistical code 42).

These goods if imported from Spain under these tariff subheadings are subject to a general rate of duty of 5%; and goods imported from all other countries are subject to a “free” rate of duty.

The Trade Branch of the Australian Customs and Border Protection Service (ACBPS) confirmed with the Commission that the goods under consideration were classified to the following tariff sub-headings:

- 7213.10.00 (statistical code 42) for *bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel containing indentations, ribs, grooves or other deformations produced during the rolling process; and,*
- 7214.20.00 (statistical code 47) for *other bars and rods of iron or non alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot extruded, but including those twisted after rolling containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling.*
- 7227.90.90 (statistical code 42) for *bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel.*
- 7228.30.90 (statistical code 49) for *other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel.*
 - *have indentations, ribs, grooves or other deformations produced during the rolling process (reinforcing bars and rods);*
 - *be twisted after rolling.*

The ACBPS Trade Branch advised that goods imported under tariff subheading 7228.30.90 may also include products other than ‘hot rolled deformed rebar’. In such cases product descriptions would be used to determine if products declared under this tariff subheading fit the description of the goods under consideration (GUC).

2.2.3 Tariff concession orders

There is currently no tariff concession order (TCO) applicable to the goods.

2.2.4 Standards and Accreditation

OneSteel stated in its application that *AS/NZS 4671:2001 Steel reinforcing materials* specifies requirements for the chemical composition and the mechanical and geometrical properties of deformed reinforcing bars and coils used for the reinforcement of concrete.

OneSteel specified that the exporters nominated in its application were accredited by the Australasian Certification Authority for Reinforcing and Structural Steel (ACRS). OneSteel states in its application that “...ACRS administers an independent, industry-based product certification scheme which certifies manufacturers and suppliers of rebar, pre-stressing and structural steels as having met the requirements of Australian and New Zealand standards”. The Commission further understands that the accreditation process ensures that rebar produced through the accredited

steel mills are subject to the specified testing and verification processes prescribed to meet the requirements of *AS/NZ4671:2001*.

OneSteel also specified that rebar may also be imported into Australia from mills that do not have ACRS accreditation.

2.3 Consideration of the application

Under section 269TC(1) of the Act, the Commissioner must consider the application and within 20 days of lodgement decide whether or not to reject the application. The application was lodged on 8 August 2014. On 28 August 2014 and 17 September 2014, OneSteel provided additional information to the Commission. As a result, the Commissioner's decision must now be made no later than 7 October 2014.

Section 269TC(1) specifies that the Commissioner shall reject an application if the Commissioner is not satisfied that:

- the application complies with section 269TB(4); or
- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

These matters are examined in the following Chapters of this report.

2.4 Previous investigations and current measures

There have been no previous anti-dumping investigations into rebar. Consequently, no anti-dumping or countervailing measures have been previously applied to rebar exported to Australia.

2.5 Other administrations

Enquiries have identified the following ongoing anti-dumping enquiries are being conducted in other jurisdictions in relation to rebar:

- The Canada Border Services Agency initiated an investigation into the alleged dumping of certain concrete reinforcing bar originating from the People's Republic of China, Korea and Turkey on 13 June 2014².
- On 3 September 2014, the Malaysian Government's Ministry of International Trade and Industry announced it had decided to initiate a preliminary investigation into rebar originating from the People's Republic of China and Korea³.

² Canada Border Services Agency Dumping case number AD/1403. Additional information is available at <http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/ad1403/ad1403-i14-ni-eng.html>

³ Malaysian Government Ministry of International Trade and Industry http://www.miti.gov.my/cms/content.jsp?id=com.tms.cms.article.Article_3e771925-c0a8156f-35b220a3-46930e78

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- On 9 September 2013, the US Department of Commerce (USDOC) and the US International Trade Commission received petitions into the commencement of anti-dumping investigations relating to imports of steel concrete reinforcing bar from Turkey and Mexico and countervailing investigations relating to imports from Turkey. On 9 September 2014, the USDOC announced the following:
 - affirmative final determination in the anti-dumping duty investigation of imports from Mexico; and
 - a final negative determination in the anti-dumping investigation with respect to Turkey. As a result, the antidumping investigation will be terminated against Turkey;⁴
 - affirmative final determination in the countervailing duty investigation of imports from Turkey.

The Commission notes that the mere fact that allegations of dumping have been made in other anti-dumping jurisdictions does not indicate that dumping is likely to have occurred in relation to goods exported to Australia. As a consequence, this information has not been considered in relation to the recommendation made in this report. The details of anti-dumping activities in other jurisdictions have been provided for stakeholder information purposes only.

⁴ US Department of Commerce International Trade Administration
<http://trade.gov/press/press-releases/>

3 DOES THE APPLICATION COMPLY WITH SECTION 269TB(4)

3.1 Findings

Based on the information provided in the application, the Commission is satisfied that the application complies with section 269TB(4) of the Act.

3.2 Legislative framework

Section 269TB(4) requires that the application must:

- be in writing;
- be in an approved form;
- contain such information as the form requires;
- be signed in the manner indicated by the form; and
- be supported by a sufficient part of the Australian industry.

3.3 Approved form

The application is in writing, in the approved form (a B108 application form), contains such information as the form requires (as discussed in the following sections of this report) and is signed in the manner indicated in the form.

OneSteel submitted confidential and public record versions of the application along with numerous appendices and attachments. The Commission considers that the public record version of the application contains sufficient detail to allow a reasonable understanding of the substance of the information within the confidential version.

3.4 Supported by Australian industry

An application is taken to be supported by a sufficient part of the Australian industry if the persons who produce or manufacture like goods in Australia and who support the application:

- account for more than 50% of the total production or manufacture of like goods by that proportion of the Australian industry that has expressed either support for or opposition to, the application; and
- account for not less than 25% of the total production or manufacture of like goods in Australia.

OneSteel stated that it is the only Australian producer of rebar. Based on the information provided and research undertaken, the Commission is satisfied that OneSteel is the sole producer of rebar and therefore the application is supported by a sufficient part of the Australian industry.

3.5 The Commission's assessment

Based on the evidence provided, the Commission considers the application complies with section 269TB(4).

4 IS THERE AN AUSTRALIAN INDUSTRY IN RESPECT OF LIKE GOODS?

4.1 Finding

Based on the information provided in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the data provided within the application is sufficient for the purpose of analysing the economic condition of the Australian industry.

4.2 Legislative framework

Section 269TC(1) specifies that the Commissioner must reject an application for a dumping duty notice if, inter alia, he or she is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

4.3 Locally produced like goods

Section 269T(1) defines like goods as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

4.3.1 Applicant's claims

OneSteel claims that the rebar it produces are 'like goods' to imported rebar from the nominated countries. Table 1, below, summarises the rebar manufactured and sold by OneSteel according to rebar type, size and grade.

Rebar Type	Diameter Range (mm)	Grade
Rebar Coil	10, 12, 16	500N
Rebar Straight	12, 16, 20, 24, 28, 32, 36, 40, 50 ⁵	500N
Rebar Straight	12	250N

Table 1: Standard OneSteel rebar products

OneSteel has advised that it has ACRS accreditation. ACRS certifies that the goods meet the performance requirements of *AS/NZS 4671:2001* (see section 2.2.4 above for further discussion on ACRS accreditation). OneSteel states that most of the imported goods are produced by overseas steel mills that also have ACRS accreditation.

⁵ OneSteel specified that "OneSteel's Laverton facility has previously manufactured rebar of 50mm diameter and has the capability to do so again if required".

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OneSteel wrote in its application, “Rebar is generally regarded as a commodity product which, when having similar grade and dimension, are interchangeable regardless of origin”. OneSteel further asserts that the imported rebar “possesses the same essential performance characteristics as locally produced rebar”.

OneSteel provided information on the physical, commercial, functional and production likenesses between imported rebar and rebar manufactured by Australian industry. This is detailed below.

Physical likeness

OneSteel submitted that it produces rebar in straight or coil forms with a circular cross section ranging in diameter between 10mm to 50mm. Product catalogues provided by OneSteel indicates that rebar produced by OneSteel includes plain, deformed rib or deformed indented surface finishes. It should be noted that ‘plain round bar’ has been specifically excluded from the description of the goods that are subject of this application.

OneSteel indicated that rebar is generally distinguished by yield strength in three levels or grades: 250 megapascals (MPa), 300 MPa and 500 MPa. OneSteel states that rebar with yield strength of 500MPa “represents the standard yield strength for rebar specified in the Australian market”. OneSteel submitted that the lower grade, 250MPa rebar is used primarily in the construction of swimming pools and represents a small proportion of the Australian market.

OneSteel submitted that, like most imported rebar, it produces rebar according to AS/NZS 4671:2001. Similar to the identified exporters in the application, OneSteel’s mills are ACRS certified and produces rebar in accordance with AS/NZS 4671/2001.

OneSteel’s application also included a comparison table to illustrate the international standards for rebar which OneSteel considers to be alike to the goods manufactured by Australian Industry and the AS/NZS 4671:2001 (500N grade) standard (see Table 2 below). During the investigation, the Commission proposes to further examine issues around the goods and the applicable standards applying to those goods.

Country	Standard	Grade
Spain	UNE 36-068	B500S
Turkey	TS 708	VCH IV A
Korea	KS D 3504	SD500W
Taiwan	CNS 560 A2006	SD490
Malaysia	MS 146	500
Singapore	SS2	RB500W
Thailand	TIS 24-2563	SD50

Table 2 - International standards for rebar

Commercial likeness

OneSteel stated that locally produced rebar competes directly with imported rebar in the Australian market.

Functional likeness

OneSteel stated that imported rebar is directly interchangeable with locally produced rebar.

Like the imported rebar, OneSteel submitted that its rebar products are used 'as is' or are subject to post production processes such as bending, welding and cutting. OneSteel stated that rebar is predominantly used to reinforce concrete structures and precast structures. OneSteel indicated in its application that both the locally produced and imported rebar have comparable or identical end-uses.

Production likeness

OneSteel claims that its manufacturing process of rebar is similar to the manufacturing process of the imported goods. While the mechanical properties required by AS/NZS 4671/2001 can be achieved through various procedures, OneSteel submitted that ACRS accreditation ensures that rebar produced through accredited facilities or mills are subject to the same testing and verification processes to ensure compliance with AS/NZS 4671:2001.

OneSteel advised that it either uses its own iron ore to produce billets manufactured at its Whyalla steelworks and/or produces billets at Laverton and Sydney from purchases of steel scrap.

Rebar produced by OneSteel is subjected to a hot rolling process which deforms the bar in such a way to cause indentations, ribs, grooves or other deformations. OneSteel indicated that the imported goods under consideration are known to be also produced using the hot rolling process.

4.3.2 The Commission's assessment

The Commission has examined the evidence presented in the application and is satisfied that there is an Australian industry that produces like goods to the goods the subject of the application, as defined in section 269(T) of the Act.

The Commission considers that the applicant has demonstrated:

- the primary physical characteristics of imported and locally produced goods are similar;
- the imported and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;
- the imported and locally produced goods are functionally alike as they have a similar range of end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

4.4 Manufactured in Australia

Sections 269T(2) and 269T(3) specify that, for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

4.4.1 Relationship with an exporter to Australia or Australian importer of the goods

OneSteel submitted that it has a distribution relationship with an entity which is purely commercial and that there is no cross ownership with this entity.

The Commission will examine this distribution relationship further during the course of the investigation.

4.4.2 Applicant's manufacturing operations

OneSteel provided the following summary of its manufacturing process for rebar:

"In the OneSteel rebar production, the steel billet used as input feed to the rod and bar mills that produce the rebar coil and straights is produced either via the integrated steelmaking route (from Whyalla) or, via the electric arc furnace route (from Sydney or Laverton).

OneSteel operates four rolling mills for the production of rebar. Rebar coil is rolled through the Newcastle Rod Mill and the Laverton Rod Mill. Rebar straights are produced through the Sydney Bar Mill and the Laverton Bar Mill. OneSteel's rolling process is as follows:

For Rebar Straights:

- Steel billets are loaded into a reheat furnace and reheated to approximately 1200 °C.*
- The heated billet then passes through a series of rolling stands.*
- As the billet passes through each stand it gradually reduces in size and changes shape from a square section to a circular section.*
- The final (finishing) stand rolls have a rib profile machined into them so that when the circular bar passes through the rolls, deformations (ribs) are formed on the bar which will provide gripping power so that concrete adheres to the bar and provides reinforcing value.*
- After the finishing stand, the bar passes through a special water cooling process where the surface of the bar is quenched rapidly. On exiting this part of the mill for slow cooling on the cooling bed, the temperature gradient established over the cross-section of the bar causes heat to flow from the core to the surface resulting in a (tempered) steel microstructure which gives increased strength. This special cooling process is known as the "TEMPCORE" process and rebar produced in this way is known as "QST" rebar as the bar has been Qu^uenched and Self-Tempered. [REDACTED] Bar Mill produce straight rebar in this way.*

For Rebar Coils:

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- *Steel billets are loaded into a reheat furnace and reheated to approximately 1200 °C.*
- *The heated billet then passes through a series of rolling stands.*
- *As the billet passes through each stand it gradually reduces in size and changes shape from a square section to a circular section.*
- *The final (finishing) stand rolls have a rib profile machined into them so that when the circular section passes through the rolls, deformations (ribs) are formed on the bar which will provide gripping power so that concrete adheres to the bar and provides reinforcing value.*
- *For rebar coils produced through Laverton Rod Mill: all rebar coils (10, 12 and 16mm diameter) are produced by rolling billets that have had a small controlled amount of a microalloy (typically ferrovanadium) added. The steel chemistry ensures the rebar strength requirements are met. After the finishing stand, the deformed rod is looped into rings, laid onto a cooling conveyor and the cooled rings are then formed into a coil.*
- *For rebar coils produced through Newcastle Rod Mill: 10mm rebar coils are produced the same way as through the Laverton Rod Mill using billets with microalloy additions to effect the required rebar strength through chemistry. For 12mm and 16mm rebar coil, billets without microalloy additions are rolled, looped into rings, cooled and formed into coils. These coils are then put through a process known as [REDACTED] where the required strength is achieved by cold-working (mechanical strain-hardening) the coil through a stretching panel. At the end of the [REDACTED] the rebar is spooled into a coil."*

4.4.3 The Commission's assessment

Based on the description of the manufacturing process provided in the application, the Commission is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

4.5 Australian industry information

4.5.1 Background

OneSteel is a wholly owned subsidiary of Arrium Limited (formerly OneSteel Limited), a publically listed company. Major shareholders within the Arrium Limited group of companies are disclosed in the company's annual report. OneSteel manufactures rebar in a range of grades and diameters through its manufacturing facilities in Whyalla, Laverton and Newcastle.

4.5.2 General accounting/administration

OneSteel provided a copy of Arrium Limited's 2013 annual report with its application. OneSteel also provided internal report extracts for each quarter of 2013/14 and its chart of accounts. It stated that corporate allocations are made to OneSteel by Arrium Limited in the form of corporate charges (for items such as shared services) which are included in the cost data provided.

OneSteel's financial year is July to June. OneSteel submits its accounting practices are maintained in accordance with Australia's generally accepted accounting practices (GAAP).

4.5.3 Sales information

OneSteel provided monthly sales and production information in the application, including a summary of domestic and export sales volumes and revenues, as required in the relevant confidential appendices A2, A3, A5 and A6 for the financial years 2010/11 to 2013/14. Confidential appendices A1 and A4 provided data for the 2013/14 financial year.

4.5.4 Cost information

OneSteel completed confidential appendix A6 cost to make and sell (CTMS) spreadsheet for domestic and export sales. The information provided in this appendix included quarterly production and sales volumes, manufacturing costs, selling (including distribution), general and administrative expenses for the financial years between 2010/11 and 2013/14.

The Commission noted that confidential appendix A6 only included manufacturing costs for production for domestic sales. OneSteel advised that production costs for internal sales were identical to manufacturing costs for external sales.

4.5.5 Other economic factors

OneSteel completed confidential appendix A7 for the financial years between 2010/11 and 2013/14 showing movements in assets, capital investment, R&D expenses, revenue, return on investment, capacity, capacity utilisation, employment, closing stocks, cash flow measures and wages.

4.5.6 The Commission's assessment – Australian industry

Based on the information in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application. It examined the detail in, and link between, relevant appendices and found no material discrepancies. For the purposes of this report, the Commission considers that OneSteel's appendices are reliable for the purposes of a preliminary analysis of the economic condition of the Australian industry in respect of rebar for the financial years between 2010/11 and 2013/14.

4.6 Australian market

4.6.1 Market size

OneSteel estimated the size of the Australian market using Australian Bureau of Statistics (ABS) import data, data from an independent recognised international supplier of trade statistics and sales to external customers. OneSteel completed **Confidential Attachment A2** using data obtained to estimate the size of the Australian market.

4.6.2 Product application and end uses

OneSteel stated that rebar is primarily purchased by fabricators and steel service centres who typically process it before supply into the residential, commercial and engineering construction sectors. Rebar is typically cut, bent, and/or welded into various shapes before use in concrete reinforcement as a tension device.

OneSteel submitted that:

- Rebar fabricators quote jobs to the construction sector, cut and bend locally manufactured or imported rebar to order and deliver to job sites. Final end use applications for rebar include (but are not limited to) concrete slabs and prefabricated concrete beams, columns, cages and precast products;
- Steel service centres also purchase locally or imported rebar to stock for re-sale, primarily to smaller rebar fabricators for use as concrete reinforcement; and
- Whilst the vast majority of rebar is fabricated in some way there are instances where no cutting, bending or welding is required by a fabricator or service centre prior to end use.

4.6.3 Marketing and distribution

OneSteel advised that Australian rebar market comprises a single Australian producer, exporters, importers, and distributors/fabricators who process and sell rebar into the construction sector.

OneSteel provided the diagram, below, to illustrate the distribution channels for rebar in the Australian rebar market.

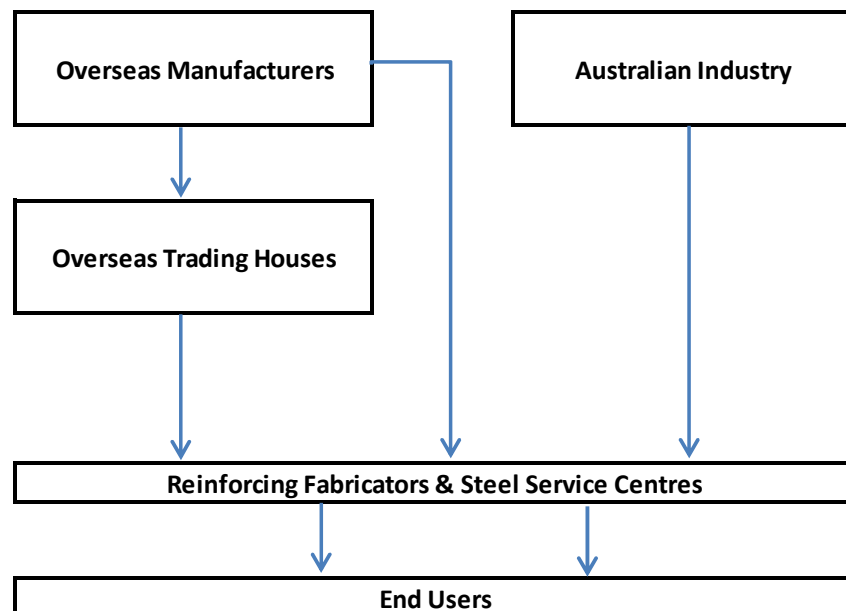


Diagram 1: Distribution Chart for rebar in Australia

4.6.4 Alternative products

In its application OneSteel specified that there are no commercially significant market substitutes for locally produced or imported rebar.

4.6.5 The way in which the imported and Australian product compete

OneSteel stated that rebar is sold in the Australian market based on Australian Standard specifications (AS/NZS 4671:2001) with the majority of exporters having ACRS Accreditation. Given the interchangeable nature of rebar, it is regarded as a commodity market that competes primarily on the basis of price.

Independent reinforcing customers can purchase rebar either from OneSteel or from an import supply source. OneSteel states that import offers and the movement in the price of import offers are used by independent customers to negotiate prices with OneSteel.

4.6.6 The Commission's assessment

The Commission compared the estimated import volumes in the application to the data in the ACBPS's import database. Figure 1, below, illustrates the Commission's estimates of the size of the Australian market for rebar from years 2010/11 to 2013/14. These estimates are based on data provided from the ACBPS import database and OneSteel's sales data.

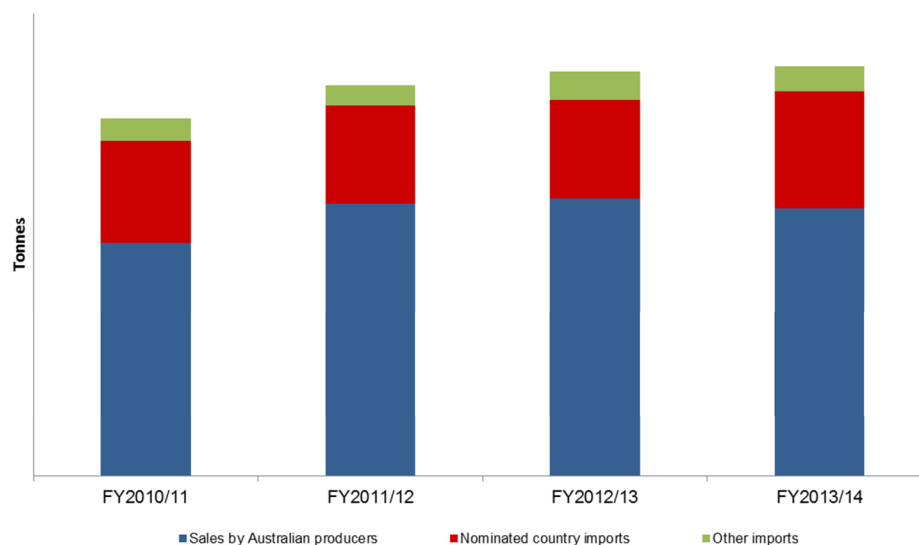


Figure 1 - Australian market for rebar

When comparing OneSteel's application data to the ACBPS import database, the Commission observed slight variances in OneSteel's estimates of the volumes of imported goods from the nominated countries, in particular in financial year 2010/11 and financial year 2011/12, however, the Commission considered these variances to not be immaterial.

Based on import data obtained through the ACBPS import database and OneSteel's sales data, the Commission notes that:

- It was able to estimate the size of the rebar market in Australia. The size of the Australian market was between 750,000 and 1,000,000 tonnes in 2013/14;

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- there was year on year growth in the Australian market from financial year 2010/11 to financial year 2013/14 however from financial year 2012/13 to financial year 2013/14 the growth rate declined to 1% compared to 4% and 10% in the two years prior;
- Imports from the nominated countries increased by 20% from financial year 2012/13 to financial year 2013/14 compared to 2% growth in the prior financial year.

The Commission considers that the information submitted by OneSteel is reliable, relevant and suitable for estimating the size of the Australian market for rebar. The Commission's assessment of the Australian market for rebar is attached at **Confidential Appendix 2.**

5 REASONABLE GROUNDS – DUMPING

5.1 Findings

Having regard to the matters contained in the application and to other information considered relevant, there appear to be reasonable grounds to support the claims that:

- rebar has been exported to Australia from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey at dumped prices;
- the volume of rebar that appears to have been dumped from each of the nominated countries is greater than 3% of the total Australian import volume of the goods, and therefore is not negligible; and
- the estimated dumping margin for each of the nominated countries is greater than 2% and is therefore not negligible.

5.2 Legislative framework

Article 5.2 of the World Trade Organisation Anti-Dumping Agreement states that an application shall include evidence of dumping. It states that simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet this requirement, but such information must be reasonably available to the applicant.

Section 269TC(1) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters of which the Parliamentary Secretary must be satisfied of in order to publish a notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods. This issue is considered in the following sections.

5.3 Export prices

5.3.1 OneSteel's claims

Source of data

OneSteel stated that Australian Bureau of Statistics (ABS) import data for rebar is the subject of country suppression orders. Notwithstanding the unavailability of ABS data, OneSteel submitted that the data in any event is not available on a regular monthly basis for each of the nominated countries.

In its application, OneSteel sourced export data from an independent international supplier of trade statistics. With the exception of Thailand, OneSteel relied on data from this source to identify export volumes and values to Australia from the nominated countries.

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For exports from Thailand, OneSteel has relied on a combination of ABS data and data sourced from the Thailand Customs Department website (Thai Customs website).⁶ OneSteel reviewed the aggregated annual import data from the ABS against the nominated tariff codes. OneSteel compared this data with the data from the independent data source for rebar exports from Thailand. OneSteel was of the view that the independent data source was more conservative than the ABS aggregate data due to significant tonnage being excluded from the independent data source. OneSteel also sourced export trade data (export volume and value) from the Thai Customs website. OneSteel observed that the published export prices appear to be consistent with competitive offers for rebar sold by importers and agents in Australia.

Methodology

OneSteel applied the following methodology in establishing export prices:

- Due to timing differences between actual date of export and import arrival time in Australia, OneSteel offset the prices by a month to reflect transit time for Korea, Malaysia, Singapore, Taiwan, and Thailand. Export price data for Spain and Turkey were offset for a two month period, attributable to a longer transit time; and
- For each country, the predominate exported product by volume was used as the basis for calculating export price, excluding Singapore, in which an aggregate of straights and coil was used.

Following the methodology above, OneSteel submitted export quantities and free on board export prices for rebar exported from the nominated countries for each month of the investigation period. These figures are set out in Tables 3 and 4.

Period	Korea		Malaysia		Singapore		Spain	
	Quantity (tonnes)	FOB price USD/tonne	Quantity (tonnes)	FOB price USD/tonne	Quantity (tonnes)	FOB price USD/tonne	Quantity (tonnes)	FOB price USD/tonne
Jul-13	0	0	26	679	1,989	679	6,472	643
Aug-13	0	0	694	688	5,224	712	7,103	630
Sep-13	968	644	1,594	650	3,698	732	5,351	611
Oct-13	988	631	2,919	662	5,279	732	4,309	611
Nov-13	1,458	659	1,363	651	6,331	706	13,591	619
Dec-13	1,565	651	1,246	678	3,642	676	7,955	640
Jan-14	519	674	154	622	7,755	682	5,369	625
Feb-14	762	637	833	655	2,350	737	6,242	637
Mar-14	1,942	644	215	626	9,196	700	2,579	627
Apr-14	1,834	632	433	636	8,379	717	1,979	626
May-14	3,928	591	0	0	7,265	695	5,154	629

⁶ The Thailand Customs Department (www.customs.go.th)

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Jun-14	2,881	659	0	0	0	0	2,620	630
Jul-14	0	0	0	0	0	0	0	0

Table 3: Export quantity and prices – Korea, Malaysia, Singapore, Spain

Period	Taiwan		Thailand		Turkey	
	Quantity (tonnes)	FOB price USD/tonne	Quantity (tonnes)	FOB price USD/tonne	Quantity (tonnes)	FOB price USD/tonne
Jul-13	3,780	624	2,290	669	48	613
Aug-13	3,137	613	789	640	0	0
Sep-13	935	607	2,468	669	1,515	556
Oct-13	10,399	614	3,561	625	901	571
Nov-13	14,031	623	3,682	634	598	553
Dec-13	0	0	3,664	641	376	551
Jan-14	6,212	614	1,584	613	887	560
Feb-14	51	628	1,091	604	2,262	568
Mar-14	4,548	613	1,263	608	617	569
Apr-14	10,094	602	2,560	634	554	564
May-14	6,637	583	2,830	652	1,170	547
Jun-14	3,204	582	881	616	1,251	545
Jul-14	0	0	0	0	1,300	548

Table 4: Export quantity and prices – Taiwan, Thailand, Turkey

5.3.2 The Commission's assessment – export prices

To verify the reliability of the export data provided by OneSteel, the Commission compared the export data to information from the ACBPS import database. In undertaking the comparison, the Commission applied the following methodology:

- Extracted data from the ACBPS import database based on tariff classification;
- Refined the data based on the goods description; and
- Applied a price per tonne range of \$350 to \$1200 AUD on an FOB basis.

The Commission identified a minor variance at an aggregate level of 1% between import quantities. A comparison of the monthly weighted average export prices from the ACBPS import database and the monthly weighted average export prices provided by OneSteel shows variances across the nominated countries ranging from -2% to 10%. Notwithstanding these variances, section 5.6.2 below indicates that the Commission's calculations show dumping margins above the de minimis level for all nominated countries.

The Commission recognises that a certain amount of these variances will result from timing differences in terms of inputting or collecting relevant data. Additionally, the Commission is of the view that some variance should normally be expected due to

variations in the identification of the goods in the ACBPS import database due to the broad tariff classification of the goods (see section 2.2.2 above).

Overall, the Commission is satisfied that the export prices of rebar from the nominated countries are reasonable estimates for the purpose of this application. The Commission is satisfied that:

- OneSteel sourced these prices and volumes from a reputable independent international supplier of trade statistics, who specialises in steel trade data; and
- Data relating to Thai exports was sourced from the Thai Customs website and compared to the aggregate value of the ABS data.

5.4 Normal value

5.4.1 OneSteel's claims

5.4.1.1 Sources of data and general methodology

OneSteel informed the Commission that notwithstanding its use of prices for rebar straights for normal value purposes, it believes that in some of the nominated countries, rebar coil may sell at a premium above the selling price for rebar straights.

OneSteel provided domestic selling prices for rebar sold in each of the nominated countries, except for Thailand, based on data sourced from industry publications and other sources:

- For Korea, Taiwan and Spain, OneSteel examined pricing data from an independent industry bulletin;
- For Malaysia and Turkey, OneSteel examined pricing data from an industry newsletter;
- For Singapore, OneSteel had limited access to domestic selling prices for rebar via the Singapore Building and Construction Authority.

OneSteel informed the Commission that it was unable to obtain domestic selling prices for rebar sold in Thailand as domestic rebar prices are “tightly held” and not published in industry newsletters. As a result, OneSteel applied a constructed normal value methodology.

Based on pricing data from industry publications, OneSteel formed the view that domestic selling prices for rebar sold in Korea, Malaysia, Singapore, and Taiwan during the 2013/14 financial year were below the fully absorbed CTMS. As a result, OneSteel applied a constructed selling price methodology (based upon independent information sourced from an economic data provider for rebar produced and sold in Korea, Malaysia, Singapore and Taiwan as the basis for normal values).

OneSteel claims that rebar producers from Korea, Malaysia, Singapore and Taiwan are experiencing intense import competition from Chinese rebar exports. For example, in Korea, Chinese exports of rebar have increased by 83 per cent in the first half of 2014, with prices falling by 11 per cent over the same time frame. OneSteel points out that the

reduced domestic selling prices in Korea confirms OneSteel's claim that Korean rebar producers, like other producers affected by Chinese rebar exports, are selling below the fully absorbed cost to make and sell.

5.4.1.2 Domestic prices in Spain

OneSteel sourced its domestic selling price from the industry bulletin. OneSteel understands that the domestic selling prices are at ex-factory level. OneSteel used selling prices for rebar straights for normal value purposes.

5.4.1.3 Domestic prices in Turkey

OneSteel relied on data from an industry newsletter in establishing the normal value for Turkey. OneSteel understands that the pricing data relates to rebar straights and are at ex-factory level.

5.4.1.4 Domestic prices in Korea

As noted above, OneSteel examined pricing data for Korea and formed the view that its pricing does not reflect the fully absorbed CTMS. OneSteel relied on an economic data provider for production costs associated with the manufacture of rebar by a regional steel producer. OneSteel considered that it was reasonable to apply cost economics modeling for the regional steel producer as it was recognised as being a competitive producer and the data is based upon production of billet in-house.

With a formulated cost to produce amount per metric tonne, OneSteel compared this amount to the prevailing domestic price for rebar based on the industry bulletin. OneSteel set out in its application that there was a per metric tonne material difference between the cost to produce and the average domestic price for rebar.

OneSteel's constructed normal value for Korea is based on:

- production costs based on economic data provided for a regional steel producer;
- SG&A based on OneSteel's own expenses; and
- Profit based on a regional steel producer's profit rate.

5.4.1.5 Domestic prices in Malaysia

OneSteel set out in its application that pricing data from the industry newsletter may not be reliable due to pricing effects it is experiencing from Chinese rebar export prices. OneSteel claims that Chinese imports of rebar into Malaysia have resulted in depressed prices in the Malaysian market place. Comparing the constructed price data to the published prices for Malaysian product supports that rebar is sold below the fully absorbed CTMS.

OneSteel notes while that it does not have access to rebar production costs data for Malaysia, it considers it reasonable to use regional billet prices from an independent data source, providing commodity pricing analysis. In the absence of specific cost data for rebar produced in Malaysia, OneSteel constructed normal value using the same methodology as the constructed normal value for Korea.

OneSteel's constructed normal value for Malaysia is based on:

- production costs based on economic data provided for a regional steel producer;
- SG&A based on OneSteel's own expenses; and
- Profit based on a regional steel producer's profit rate.

5.4.1.6 Domestic prices in Singapore

Similar to Korea and Malaysia, OneSteel claims that Chinese imports into Singapore have depressed the domestic selling prices of Singapore's sole steel producer, Natsteel. Based on information gathered from the Singapore Building and Construction Authority, OneSteel estimates that the domestic selling price for rebar in Singapore is only marginally higher than the regional price for billet. Accordingly, OneSteel claims that domestic prices in Singapore are also below the fully absorbed CTMS.

OneSteel's constructed normal value for Singapore is based on:

- An economic cost data provider's estimates for conversion costs based on a regional steel producer ;
- SG&A based on OneSteel's own expenses; and
- Profit based on the analytical report based on a reported figure from Natsteel.

5.4.1.7 Domestic prices in Taiwan

With respect to Taiwan, OneSteel relied on an economic cost data provider's data for a regional steel producer. OneSteel compared the CTMS with an industry bulletin's average domestic selling price and observed that the domestic selling price did not cover the fully absorbed CTMS.

OneSteel's constructed normal value for Taiwan is based on

- an economic cost data provider's data for the cost of production for a regional steel producer;
- SG&A from OneSteel's own expenses; and
- Profit based on a regional steel producer's profit rate.

5.4.1.8 Domestic prices in Thailand

As noted above in section 5.4.1.1, OneSteel indicated in the application that industry journals contained limited information on domestic selling prices in Thailand.

OneSteel's constructed normal value for Thailand is based on

- an economic cost data provider's data for the cost of billet;

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- an economic cost data provider's data for conversion costs;
- SG&A from a regional steel producer; and
- A regional steel producer's profit level (sourced from an Analytical Report for the company).

5.4.1.9 Domestic selling prices in application

The selling prices provided in the application are shown in Table 5 below.

Month	Spain	Turkey	Korea	Malaysia	Singapore	Taiwan	Thailand
May-13	638	585					
Jun-13	623	590	792	792	756	673	652
Jul-13	619	603	789	789	754	673	652
Aug-13	614	610	803	803	767	673	652
Sep-13	659	600	802	802	766	673	652
Oct-13	641	608	799	799	763	673	652
Nov-13	641	600	798	798	762	673	652
Dec-13	648	590	798	798	762	673	652
Jan-14	678	578	801	801	765	673	652
Feb-14	675	570	794	794	758	673	652
Mar-14	655	570	789	789	754	673	652
Apr-14	650	590	783	783	748	673	652
May-14			783	783		673	652
Jun-14						673	652

Table 5: Domestic selling prices (USD\$/MT)

5.4.1.10 Adjustments

For all nominated countries, OneSteel has included two upwards adjustments of to account for inland freight to wharf expenses and for containerisation charges. The figures in Table 5 exclude the adjustments, however, they are included for the dumping calculations.

5.4.2 The Commission's assessment – normal values

The Commission reviewed the documentation supplied by OneSteel and considers that its estimates of normal values for rebar sold in the nominated countries appear to be reasonable. The Commission is of the view that OneSteel's sources of information (industry publications and appropriate benchmarks) are reliable and contemporaneous.

The Commission tested the reasonableness of OneSteel's use of its own SG&A costs in the calculation of the normal values for Korea, Malaysia, Singapore and Taiwan by applying a calculated SG&A cost figure based on the figures set out in the regional steel producer's comprehensive income statement for the year ended 31 December 2013. Despite the regional steel producer's SG&A rate being proportionally lower than OneSteel's rate, the Commission's recalculated normal

values still resulted in dumping margins which were in excess of 2% for each of the nominated countries.

The Commission also considers that in light of the market conditions relating to rebar, in particular in the Southeast Asian region, OneSteel used reasonably available information on the exporters' costs of production.

5.5 Import volumes

Based on the information in the application and the ACBPS import database, the Commission determined that imports of rebar from each of the nominated countries represent more than 3% of the total import volume of rebar in the 2013/2014 financial year and are, therefore, not in negligible volumes as defined in section 269TDA.

5.6 Dumping margins

5.6.1 Dumping margin calculations

Dumping margins for rebar calculated by OneSteel are summarised in the following table:

Country	Applicant's dumping margin %
Korea	29.4%
Malaysia	25.8%
Singapore	11.8%
Spain	7.3%
Taiwan	15.1%
Thailand	7.4%
Turkey	10.8%

Table 6: Dumping margins by the Applicant

5.6.2 The Commission's assessment

The Commission compared OneSteel's dumping margin calculations for the 2013/14 financial year using the ACBPS data for export prices. The Commission further substituted OneSteel's SG&A costs applied in the cases of Korea, Malaysia, Singapore and Taiwan with a lower rate based on a regional producer's SG&A costs. Notwithstanding differences between the Commission's calculations and OneSteel's, the Commission found dumping margins above 2 percent for all nominated countries. The Commission's dumping margin calculations are attached at **Confidential Appendix 3**.

The Commission is satisfied that, based on the information submitted in the application and the Commission's own analysis, there appears to be reasonable grounds for concluding that rebar has been exported to Australia from the nominated countries at dumped prices and that the dumping margins are not negligible.

6 REASONABLE GROUNDS – ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY

6.1 Findings

Having regard to the information contained in the application, and to other information considered relevant, the Commission is satisfied that OneSteel appears to have experienced injury through:

- loss of sales volumes;
- loss of market share;
- price suppression; and,
- reduced profits and profitability.

6.2 Legislative framework

Section 269TC(1) requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of dumping duty notice.

Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the alleged dumping of the goods has caused, is causing or threatens to cause material injury to the Australian industry producing like goods.

6.3 Approach to injury analysis

The injury analysis detailed in this chapter is based on information submitted by OneSteel in its application and data from the ACBPS import database. OneSteel provided production, cost and sales data for rebar on a quarterly basis for the financial years between 2010/11 and 2013/14.

OneSteel stated that during this period it made sales of rebar to both third party customers (external) and to OneSteel's own trading division (internal). OneSteel's internal sales accounted for a significant proportion of total sales.

For the purposes of analysing and assessing injury experienced by the Australian industry (at the consideration stage), the Commission has used data related to OneSteel's external and internal sales of rebar.

The Commission found that the data for external and internal sales of rebar indicates that OneSteel has experienced volume, price and profit and profitability injury.

The Commission also found that injury was still evident, if the analysis was based only on OneSteel's external sales. Therefore, for the purpose of this consideration report, the Commission considers that despite the high proportion of OneSteel internal sales, it does not negate an overall injury trend. During the investigation, the Commission will examine OneSteel's internal sales, including verifying that these are arms-length transactions, and any effect they might have on OneSteel's injury claims.

6.4 Commencement of injury

OneSteel claimed that injury commenced prior to the 2010/11 financial year.

For the purposes of analysis, the Commission has analysed the applicant's injury claims from the 1 July 2010 ('the injury analysis period').

6.5 The applicant's injury claims

OneSteel alleges the Australian industry has suffered material injury caused by rebar exported to Australia from the nominated countries at dumped prices. It claimed the industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price suppression; and,
- reduced profits and profitability.

6.6 Cumulation of injury

Section 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

- the conditions of competition between the exported goods; and
- the conditions of competition between the exported goods and the like goods that are domestically produced;

the Parliamentary Secretary is satisfied that it is appropriate to consider the cumulative effects. Based on the information provided in the application, the Commission is satisfied that in respect of the rebar market the conditions of competition between imported and domestically produced like goods appear to be similar.

The information contained in the ACBPS import database indicates that in the 2013/14 financial year several importers of rebar imported from a number of the nominated countries. The Commission considers that this indicates that the products are used by the same or similar customers.

As discussed at Section 4, the Commission is satisfied that the goods are alike, have the same essential characteristics, have similar end-uses and compete in the same primary market segments.

The Commission therefore considers that it is appropriate to consider the cumulative effect of the allegedly dumped imports from the nominated countries, as:

- the margin of dumping for each country is not negligible⁷;
- the volume of imports from each country is not negligible⁸; and

⁷ S.269TAE(2C)(c) dumping margin at least 2%.

- the cumulative assessment is appropriate in light of the conditions of competition between the imported goods and the like domestic goods.

6.7 Volume and market share effects

6.7.1 Volume

OneSteel claims that it has suffered material injury in relation to lost sales volumes of rebar due to increased volumes of imports at dumped prices from the nominated countries.

Figure 2 illustrates OneSteel's sales volume of rebar in the domestic market during the injury analysis period.

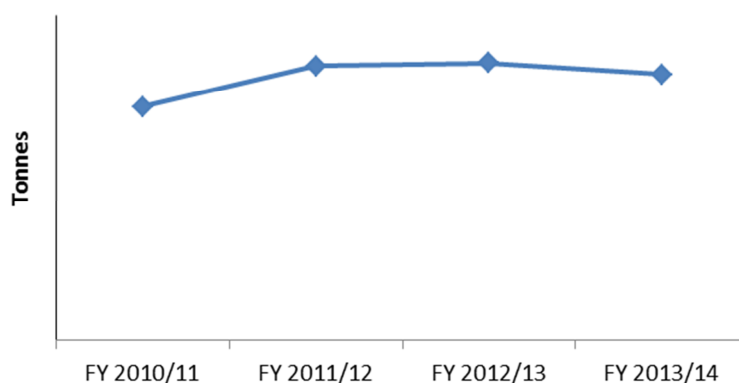


Figure 2 - Australian industry steel reinforcing bar market (tonnes)

The graph shows that OneSteel's domestic sales volume of rebar increased during the 2011/12 and 2012/13 financial years, however, it decreased in the 2013/14 financial year.

As discussed in section 4.4.3, the Australian market for rebar increased consistently during 2010/11 to 2013/14 financial year period. Figure 2 above shows that OneSteel's domestic sales volume followed this upward trend until financial year 2012/13 after which it experienced a decline in sales volumes.

6.7.2 Market share

Figure 3 below illustrates the movements in market share for rebar, over the injury analysis period, based on the Commission's assessment of the information provided in the application when considered against the ACBPS database.

⁸ S.269TDA(4) by country negligible volume is less than 3% of the total import volume from all countries.

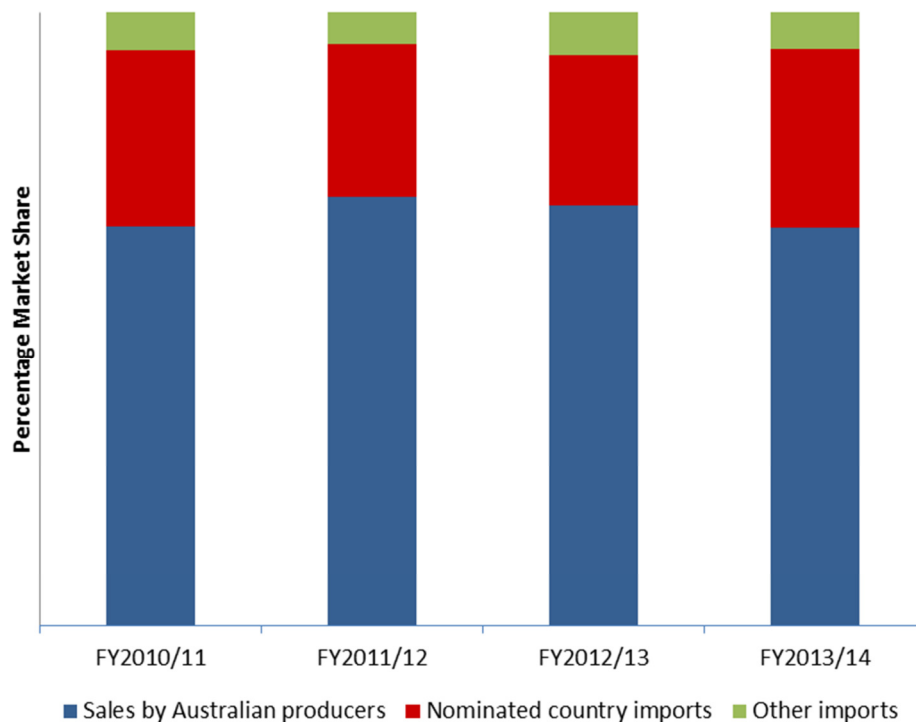


Figure 3 - Rebar market share (%)

Figure 3 shows that OneSteel's market share for rebar peaked in 2012/13 financial year before declining in the 2013/2014 financial year. Over the same period the market share for rebar imported from other countries remained relatively constant. However after reducing slightly in the 2011/12 financial year, the market share for allegedly dumped imports began increasing to current levels. OneSteel claims that the increase in import volumes of rebar imported from the nominated countries accelerated by 33% in the 2013/14 financial year. OneSteel claims that imports of dumped rebar from the nominated countries displaced OneSteel's sales and import volumes from other countries. The Commission's own analysis based on ACBPS import database indicates import volumes of rebar imported from the nominated countries increased by 20%. This 20% is considered to be consistent with OneSteel's claims of increased sales from the nominated countries.

6.7.3 The Commission's assessment

The Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has lost sales volume and market share. The Commission's assessment of the Australian industry's claims of lost sales volume and market share are contained in **Confidential Appendix 4**.

6.8 Price effects

6.8.1 Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

Figure 4 illustrates movements in OneSteel's unit costs and prices for rebar during the injury analysis period.

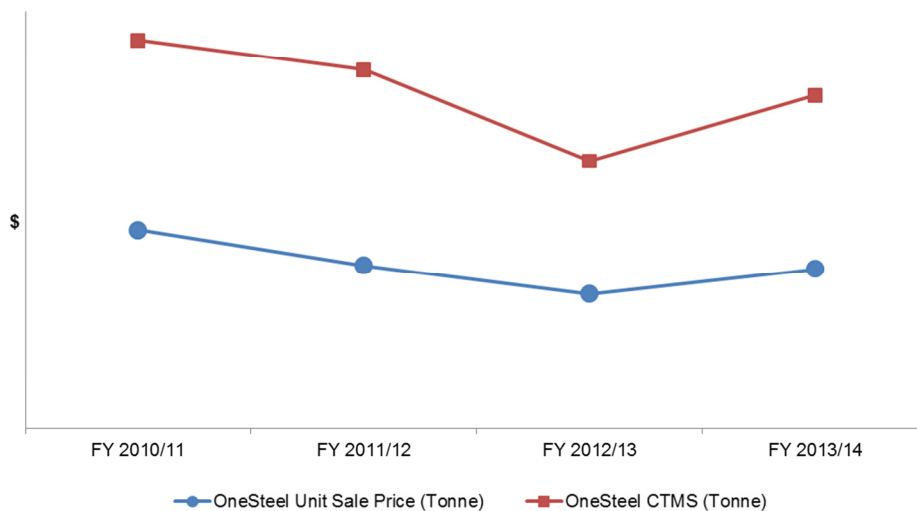


Figure 4 - OneSteel Unit Sale Price v Unit CTMS

OneSteel claimed that its selling prices for rebar sold to external customers are determined by reference to competitive offers for imports. OneSteel claimed that its selling prices for sales to internal customers are determined by references to prices to external customers.

Figure 4 shows that OneSteel's unit costs exceeded its unit prices from the 2010/11 financial year to 2013/14 financial year, however the margin has widened in the 2013/14 financial year when compared to the prior 2012/13 financial year. The Commission considers that this is consistent with OneSteel seeking to maintain sales volume and market share by not passing on the full cost of production increases it has experienced.

6.8.2 The Commission's conclusion – price effects

The Commission has reviewed the information provided by OneSteel in relation to price suppression and considers that there appear to be reasonable grounds to support the claim that the Australian industry has suffered injury in the form of price suppression. The Commission's assessment of the Australian industry's claims of price suppression is contained in **Confidential Appendix 4**.

6.9 Profit and profitability effects

Figure 5 shows that OneSteel's profit and profitability for rebar fluctuated during the injury analysis period.

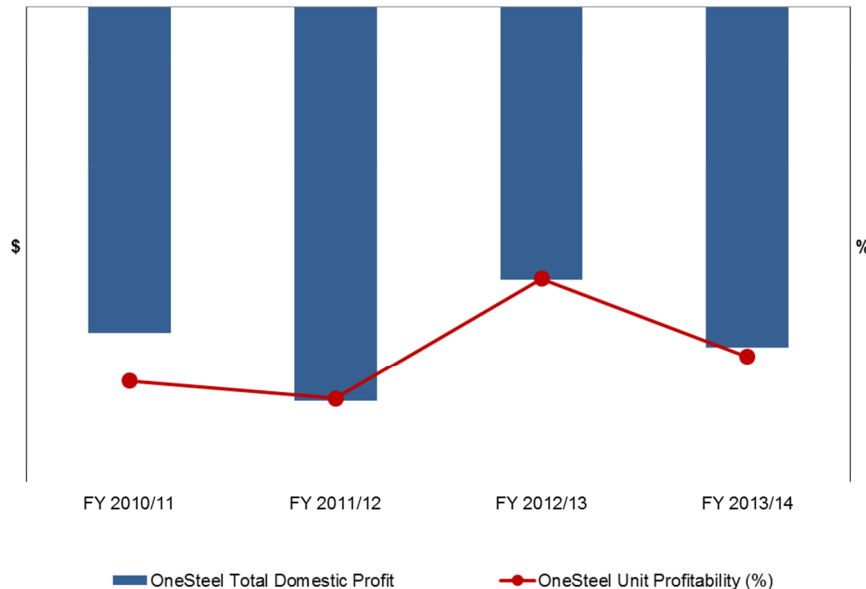


Figure 5 – OneSteel Profit and Unit Profitability

OneSteel has recorded four consecutive years of selling at a loss. Following a period of improvement in the 2012/13 financial year, profitability deteriorated in the 2013/14 financial year as losses increased. OneSteel contended that the negative impact on profit and profitability is directly attributable to the dumping of exports from the nominated countries.

6.9.1 Conclusion – profit and profitability effects

The Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has suffered injury in the form of reduced profits and profitability. The Commission's assessment of the Australian industry's profits and profitability is contained in **Confidential Appendix 4**.

6.10 Other injury factors

In its application, OneSteel completed confidential appendix A7 for the financial years 2010/11 to 2013/14. The information provided indicates that:

- the value of total assets decreased each year, however, the value of assets allocated to like goods production increased in the financial years from 2010/11 until 2012/13 before decreasing in the 2013/14 financial year;
- capital investment decreased during the financial years between 2010/2011 and 2011/2012, before increasing during 2012/13 and 2013/14 financial years;

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- R&D expenditure decreased each financial year until 2012/13, with no data available for the 2013/14 financial year; and
- total number of employees increased until the financial year 2011/12 before decreasing each financial year, thereafter.

The information in relation to other injury factors will be further examined during the course of the investigation

6.11 Conclusion on material injury caused by dumped imports

The Commission considers that there appear to be reasonable grounds to support the claim that OneSteel has experienced injury in the during the injury analysis period in the form of:

- loss of sales volumes;
- loss of market share;
- price suppression; and
- reduced profits and profitability.

7 REASONABLE GROUNDS – CAUSATION FACTORS

7.1 Findings

Having regard to the matters contained in the application, the Commission is satisfied that rebar exported to Australia from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey at allegedly dumped prices appears to have caused material injury to the Australian industry producing like goods.

7.2 OneSteel's claims

OneSteel submitted that the size of the Australian rebar market contracted by under 2% over the 2013/14 financial year, during which time its own sales volume declined by approximately 5% while exports of dumped rebar from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey, in aggregate, increased by approximately 33%.

OneSteel further submitted that over the financial years between 2010/11 and 2013/14, despite a general improvement in market conditions following the GFC, the composition of the Australian rebar market underwent a significant change in composition, with OneSteel's market share falling approximately 5% while the market share for dumped exports increased by 4%.

OneSteel contended that the decline in the Australian industry's sales volumes and market share in the 2013/14 financial year can be attributed to the price-effect impact of the dumped exports that undercut the Australian industry's selling prices throughout this period.

As OneSteel's production of rebar is a volume-dependent manufacturing process, OneSteel has, where practicable, sought to hold market share at the expense of price to ensure production and sales volumes are maintained.

Despite reducing price to maintain production and sales volumes, OneSteel contends it has nevertheless experienced a reduction in production and sales volume, which in turn has increased production costs per unit. These increased costs per unit have not been able to be passed on through higher selling prices due to the presence of lower priced, dumped exports in the market.

OneSteel stated that, in the financial year 2013/14, the decreasing prices for rebar from the nominated countries consistently undercut its selling prices. To support price undercutting claims, OneSteel provided *[information from a confidential market intelligence source]* for rebar imported from the nominated countries. OneSteel claims that imports of straight rebar undercut OneSteel selling prices by between 2.5% and 7%. OneSteel estimates that rebar imported in coil form has undercut its selling prices in the range of 5% to 9%. OneSteel also claims that the premium which it usually applied to sales of imported coiled rebar is not being charged to customers.

OneSteel provided two specific examples of how dumped imports have impacted its business:

- (1) OneSteel contended that it had been unable to regain market share in relation to one significant customer under a supply agreement.
- (2) OneSteel provided an analysis of the pricing and volume relationship existing in relation to one of its customers. The analysis demonstrated that OneSteel was able to increase its share of sales to that customer by aggressively reducing its premium on sales of rebar coil. OneSteel contended that this demonstrated the price sensitivity of the rebar market, and that where the import offer for dumped rebar is priced sufficiently below OneSteel's offer, customers will source a greater proportion of their supply from attractively-priced dumped imports.

7.3 Other possible causes of injury

OneSteel did not identify any other possible causes of injury in its application. This issue will be further examined by the Commission during the investigation.

7.4 The Commission's assessment

The Commission has assessed the data provided by OneSteel in regard the size and composition of the Australian market as well as data available through the ACBPS import database. As detailed in section 6 of this report, the Commission's assessment differs from that reached by OneSteel in relation to market share. However, the Commission considers that this variation does not materially impact on OneSteel's claims of injury.

Despite these minor variances, the Commission's review of the import price data appears to show that there is a relationship between OneSteel's sales volumes and its ability to sell products at a prices that more closely matches the import price. OneSteel's analysis illustrates that its external customers are more likely to obtain supply from OneSteel when the margin between OneSteel's higher prices and the lower import offers is narrower. The data suggests that OneSteel's sales volumes to external customers increase when its margins above the imports offers decrease. Whilst the margin does not reduce to zero, there appears to be a threshold point where OneSteel's margins reduce to a level whereby customers choose not to purchase imports.

OneSteel claimed that the price undercutting information supports its position that it has lost sales volumes and market share to imported rebar sourced from the nominated countries. Relying on the data provided by OneSteel in its application, the purchasing behavior observed in the rebar market indicates that OneSteel attracts increased sales when it starts to reduce its prices closer to those offered by importers.

The Commission will further evaluate price undercutting claims during the course of the investigation process, through verification of actual selling prices in Australia by importers and comparing and contrasting these with the selling prices by the Australian industry, for sales transactions made under the same conditions.

As an additional test to establish whether there is a casual link between the alleged dumping and material injury, the Commission sought to compare export prices from each of the nominated countries with estimates of a non-injurious price (NIP) for the

2013/14 financial year. To calculate the estimated NIP, the Commission estimated the unsuppressed selling price (USP) for rebar for the 2013/14 financial year using the weighted average CTMS of OneSteel. At this stage, the Commission has not applied a profit to this CTMS.

The Commission then deducted amounts from that USP for importer SG&A and profit, including into-store costs, Customs duty and overseas freight. These calculations provided for a NIP at the FOB level for each nominated country.

For each of the nominated countries, the weighted average export prices for the year were below the NIP. The Commission considers this finding is consistent with OneSteel's claim that the allegedly dumped goods have caused material injury.

7.5 Conclusion on material injury caused by dumped imports

The Commission considers that injury to the Australian industry appears to have been caused by allegedly dumped imports of rebar from Korea, Malaysia, Singapore, Spain, Taiwan, Thailand and Turkey.

8 CONCLUSION

The Commission has examined the application and is satisfied that:

- the application complies with s. 269TB(4); and
- there is an Australian industry in respect of like goods; and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

Accordingly, the Commission recommends that the Commissioner decide not to reject the application for the publication of a dumping duty notice under s. 269TB(1).

For the purposes of the investigation, the Commission recommends that:

- the investigation period to determine whether dumping has occurred be in the period commencing **1 July 2013 to 30 June 2014**; and
- the Commission examine the Australian market and the economic condition of the industry from **1 July 2010** for the purposes of injury analysis.

9 APPENDICES AND ATTACHMENTS

Appendix 1	Commissioner's Instrument
Confidential Appendix 2	The Commission's estimate of the Australian market for Rebar
Confidential Appendix 3	The Commission's assessment of the dumping margin calculations
Confidential Appendix 4	The Commission's assessment of the economic condition of the Australian rebar industry